

# **Asset Management**

## ***HUD Style***

# Purpose

- Provide high level overview of HUD's Asset Management business model
- Define key terms
- Explain Resident Services' place in asset management
- Suggest courses of action

# Asset Management

- HU



# The Reg says...

## § 990.255 Overview.

(a) PHAs shall manage their properties according to an asset management model, consistent with the management norms in the broader multifamily management industry.

PHAs shall also implement

- project-based management,
- project-based budgeting, and
- project-based accounting,

which are essential components of asset management

# The Reg says...

## **§ 990.270 Asset management.**

As owners, PHAs have asset management responsibilities that are above and beyond property management activities.

These responsibilities include decision-making on topics such as

- long-term capital planning and allocation,
- the setting of ceiling or flat rents,
- review of financial information and physical stock,
- property management performance,
- long-term viability of properties,
- property repositioning and replacement strategies,
- risk management responsibilities pertaining to regulatory compliance,
- and those decisions otherwise consistent with the PHA's ACC responsibilities, as appropriate.

# The Reg says...

**The goals of asset management are to:**

- (1) Improve the operational efficiency and effectiveness of managing public housing assets;
- (2) Better preserve and protect each asset;
- (3) Provide appropriate mechanisms for monitoring performance at the property level; and
- (4) Facilitate future investment and reinvestment in public housing by public and private sector entities.

# What this means

- PHAs need to operate more like businesses
- PHAs need to treat their projects as a portfolio of individual properties
- Each property needs to stand on its own
- The PHA Central Office Cost Center needs to be more efficient

***It ain't your old public housing program, anymore.***

# Definitions

- Central Office Cost Center (COCC)
- Asset Management Project
- Project Expense Level (PEL)
- Project Based Funding
- Project Based Accounting
- Project Based Budgeting
- Project Based Performance Assessment



# Definitions, Continued

- Property Management Fee
- Bookkeeping Fees
- Asset Management Fee
- Front Line Costs

# Central Office Cost Center

- AKA: Public Housing Agency Headquarters
- Needs to be VERY lean
- No more direct Operating funding from HUD



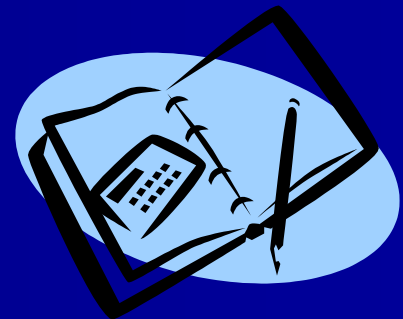
# Asset Management Project (AMP)



- Public housing projects are assigned AMP numbers
- Mixed Income communities (HOPE VI, etc)
  - Usually one AMP per phase
  - Treated essentially like any other AMP
- PHA decides on groupings of scattered sites and small projects into AMPS

# Project Based Accounting

- Each AMP must have its own Set of Accounts
- Each AMP must produce its own Financial Statements
- If one AMP has excess funds, it can transfer to another AMP
- AMPs cannot transfer to COCC



# Project Based Funding

- HUD now funds each AMP account directly
- Based on PEL
- COCC receives no direct Operating funds



# Project Expense Level (PEL)

- HUD's new funding methodology
- Each AMP has its own PEL
- Based on unique property characteristics
- Funding is calculated based on occupancy
  - Not available units
- AMPs also receive Utility Expense Level funding
- Funding is still subject to HUD proration
- *Don't even ask me about "Stop Loss"*

# So, who pays my salary?

- COCC charges AMPs for
  - Property Management Fees
  - Bookkeeping Fees
  - Asset Management Fees
  - Front Line Costs



# Property Management Fees

- PHAs required to charge a for operation of COCC
- Per unit per month basis (PUM)
- Occupied units and approved vacancies only



# Property Management Fees

- HUD defines “reasonable fee”
  - HUD Multifamily Property Schedules
  - 80<sup>th</sup> Percentile of property management fee for certain FHA properties
- Nationally : \$39-57 PUM
- COCC receives any Prop Mgt Fee that exceeds what is paid to any private property manager

# Bookkeeping Fee

- HUD considers \$7.50 PUM to be reasonable
- Earned based on occupancy



# Asset Management Fees

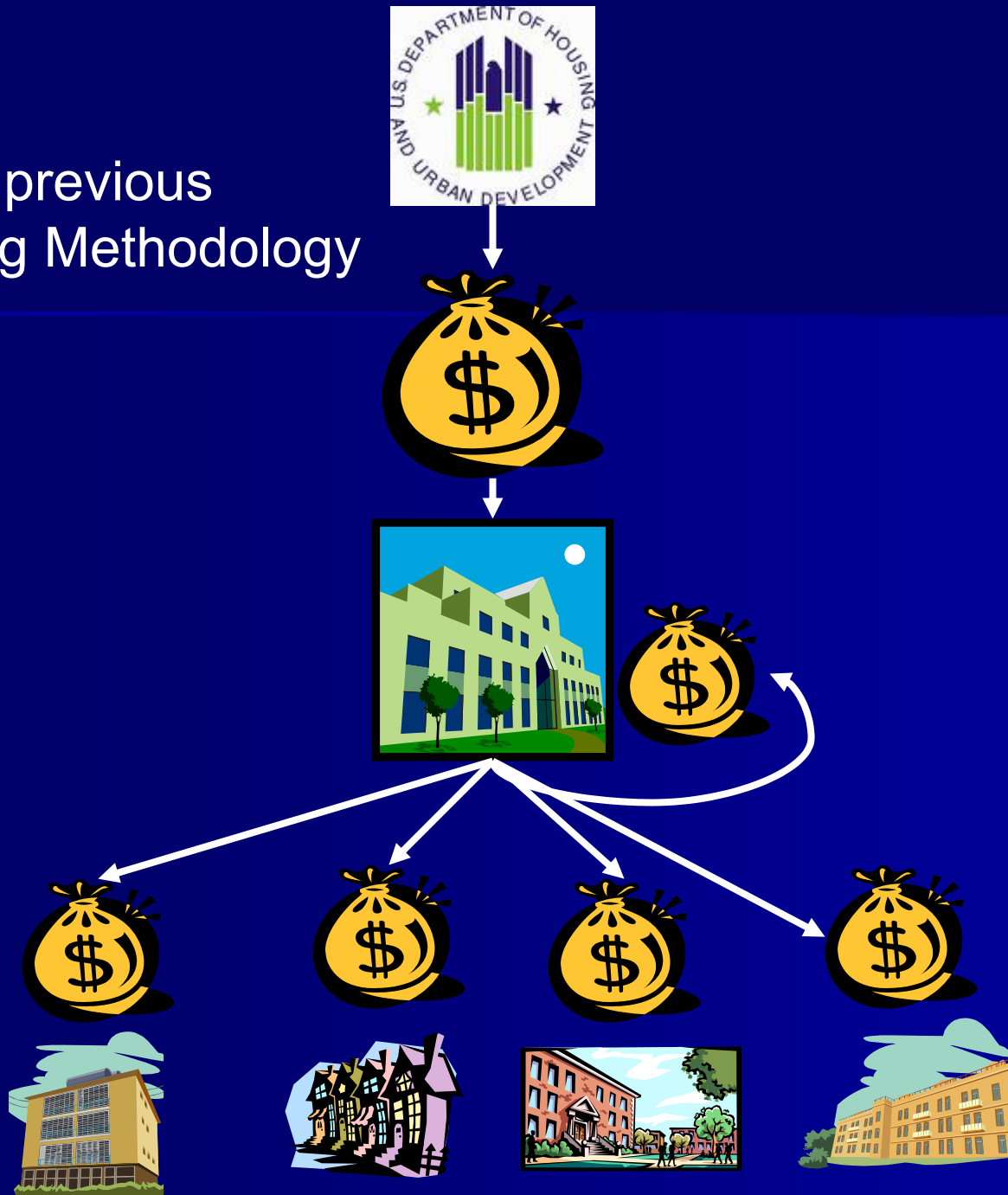
- HUD considers \$10 PUM reasonable
- All units under ACC
- Can only be paid from AMP Excess Cash
- In other words,
  - Don't count on it.

# Front Line Costs

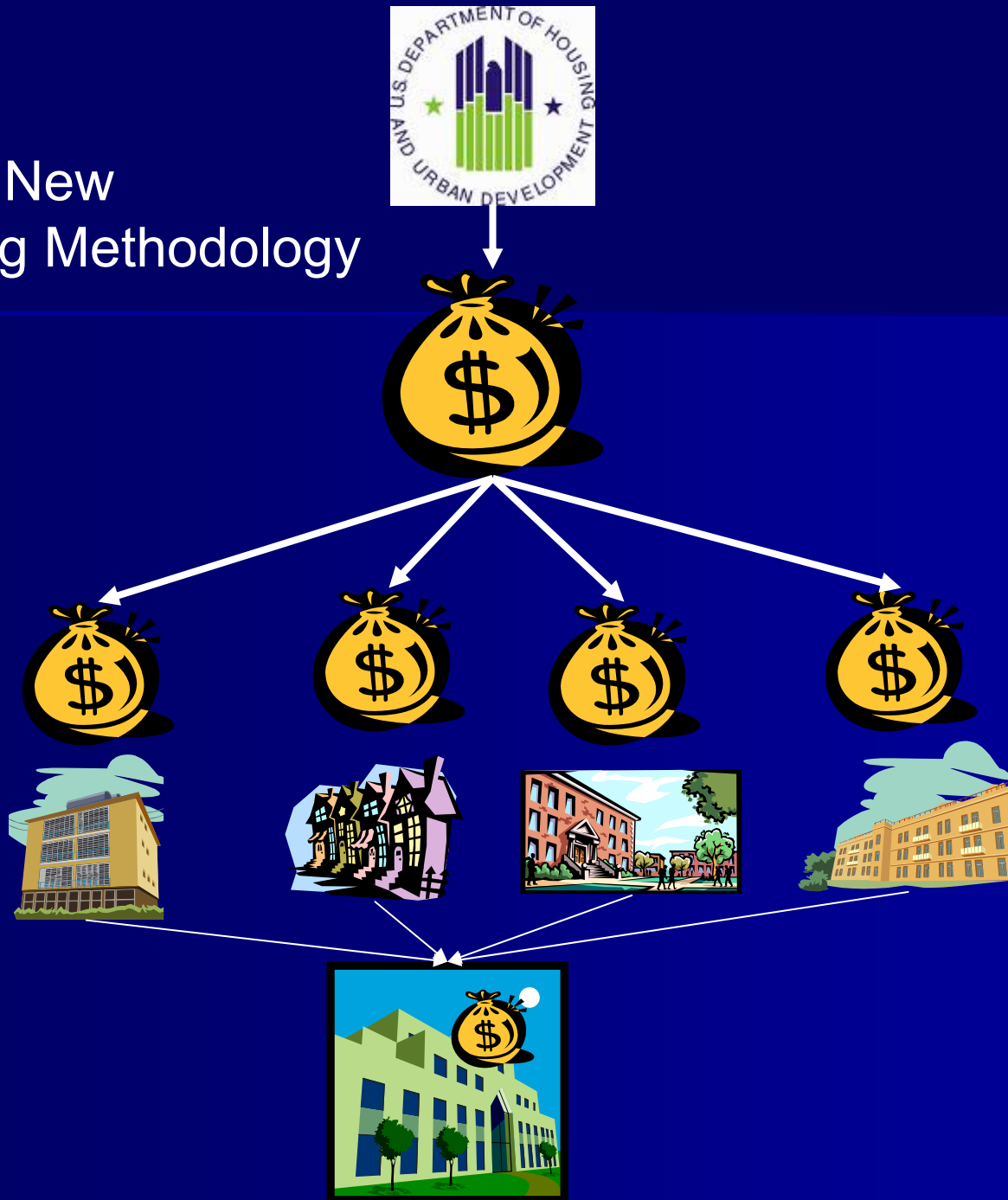
- Charged directly to the AMP
  - Not as a fee
- Costs incurred at the AMP
- Certain COCC expenses
  - COCC maintenance on a fee for service basis
  - Legal Fees directly related

**What does this look  
like?**

# HUD's previous Funding Methodology



# HUD's New Funding Methodology



# How about Resident Services?

- “It is the preference of HUD that all resident services, to the extent practical, be site-based....
- Where PHAs cannot reasonably track personnel costs for resident services, including supervisory personnel costs, to an AMP, PHAs are permitted to prorate the costs.”



# Implications

- COCC money is going to be tighter than ever before
- Resident services is an ***authorized*** AMP expense
  - Either directly charged or prorated
- But PHA-wide expenditures are limited to AMP revenue
- PEL and proration can make funds scarce

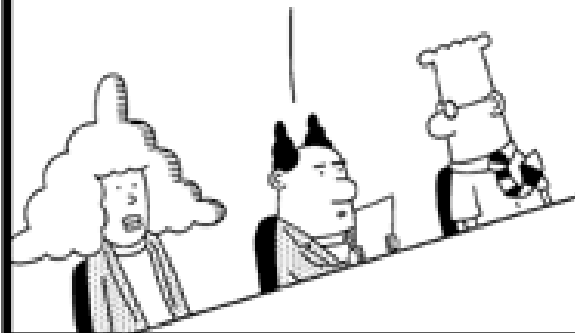
# What can Resident Services do?

- Track time spent at each AMP

# What can Resident Services do?

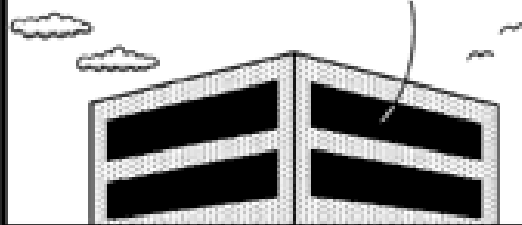
- Track time spent at each AMP
- Charge time to grants when possible
  - HOPE VI
  - ROSS
  - Housing Choice

REMEMBER TO  
CHARGE YOUR TIME  
TO THE APPROPRIATE  
PROJECT CODE.



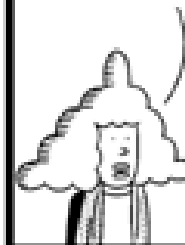
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UNLESS YOUR PROJECT  
IS UNFUNDED, IN  
WHICH CASE THE TIME  
CODES WON'T WORK  
AND YOU'LL NEED TO  
FALSIFY YOUR TIME  
REPORT.



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ARE  
ANY OF  
OUR  
PROJECTS  
FUNDED?



THIS IS  
THE  
EMBAR-  
RASSING  
PART.



# What can Resident Services do?

- Track time spent at each AMP
- Charge time to grants when possible
  - HOPE VI
  - ROSS
  - Housing Choice
- Support AMPS in increasing
  - Occupancy
  - Rent payment

**What are you  
questions?**





**I'd rather be skiing!**